

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 DODE-00 PM-05 H-01 L-03 NSC-05
PA-01 STR-07 /133 W

-----128484 261922Z /43

R 261732Z MAY 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6574
INFO ALL EC CAPITALS

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E.O. 11652: N/A
TAGS: EIND, ELAB, UK
SUBJECT: BRITISH GOVERNMENT WHITE PAPER ON INDUSTRIAL
DEMOCRACY

REF: 77 LONDON 7994

1. SUMMARY. THE LONG DELAYED WHITE PAPER ON INDUSTRIAL
DEMOCRACY ISSUED THIS WEEK REPRESENTS A LONG STEADY BACK
FROM THE WORKER DIRECTOR PROPOSALS OF LAST YEAR'S
BULLOCK REPORT, NOTABLY BY PROPOSING THAT SHAREHOLDERS
REPRESENTATIVES RETAIN MAJORITY POSITION ON COMPANY
BOARDS. NEVERTHELESS, MANAGEMENT GROUPS HAVE SHARPLY
ATTACKED THE WHITE PAPER. PRIME MINISTER CALLAGHAN
SAYS HE WOULD LIKE TO SEE LEGISLATION ON THIS SUBJECT
IN THE NEXT SESSION OF PARLIAMENT. END SUMMARY.

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2. ON MAY 23 THE GOVERNMENT PUBLISHED A WHITE PAPER
ON INDUSTRIAL DEMOCRACY--ITS RESPONSE TO THE BULLOCK
COMMITTEE REPORT OF JANUARY 1977. DURING THE INTER-
VENING MONTHS THE GOVERNMENT, AND PARTICULARLY A
COMMITTEE OF MINISTERS CHAIRED BY SHIRLEY WILLIAMS,
HAS BEEN TRYING TO PRODUCE RECOMMENDATIONS THAT RESPOND
TO THE 1974 LABOR MANIFESTO WHICH COMMITTED THE

GOVERNMENT TO "BRING IN...AN INDUSTRIAL DEMOCRACY ACT, AS AGREED IN OUR DISCUSSIONS WITH THE TUC, TO INCREASE THE CONTROL OF INDUSTRY BY THE PEOPLE," AND YET AVOID THE HARSHNESS OF THE CRITICISMS OF THE BULLOCK COMMITTEE REPORT.

3. THE CRUCIAL RECOMMENDATION OF THE BULLOCK COMMITTEE, FOR STRONG PROPONENTS AND OPPONENTS BOTH, WAS THAT THE S OF ALL FIRMS EMPLOYING 2,000 EMPLOYEES OR MORE WHOSE EMPLOYEES VOTED FOR A WORKER DIRECTOR SYSTEM WOULD BE FORMED ON A "2X#Y" BASIS. THE X ELEMENTS WOULD BE EQUAL REPRESENTATIONS OF SHARE-HOLDERS AND THE UNIONS; THE Y ELEMENT WOULD BE "INDEPENDENTS" AGREED TO BY BOTH SIDES, OR IN CASE OF CONFLICT, BY AN INDUSTRIAL DEMOCRACY COMMISSION.

4. THE NEW WHITE PAPER PROPOSES THAT THE FIRST STAGE TO "INDUSTRIAL DEMOCRACY" BE THE ESTABLISHMENT OF THE LEGAL RIGHT OF WORKERS IN FIRMS OF 500 EMPLOYEES OR MORE TO BE CONSULTED ABOUT MAJOR COMPANY PLANS. "THIS RIGHT SHOULD BE VESTED IN A JOINT REPRESENTATION COMMITTEE (JRC) BROADLY REPRESENTATIVE OF THE INDEPENDENT RECOGNIZED TRADE UNIONS IN THE COMPANY." THE GOVERNMENT FEELS THAT SUCH CONSULTATIVE ARRANGEMENTS MAY BE AS FAR AS EMPLOYEES WISH TO GO IN TAKING PART IN THE AFFAIRS OF MANY ENTERPRISES. HOWEVER, AFTER LIMITED OFFICIAL USE

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SUCH A JRC EXISTS FOR THREE OR FOUR YEARS, IT WOULD HAVE THE RIGHT TO CLAIM ONE-THIRD OF THE SEATS ON AN UPPER, "POLICY" BOARD--COMPANY LAW WOULD BE REVISED TO PERMIT A TWO-TIER STRUCTURE--IN COMPANIES EMPLOYING 2,000 OR MORE PEOPLE. (ALTERNATIVELY, A COMPANY COULD ADMIT WORKER DIRECTORS TO A BOARD ESTABLISHED ON THE CURRENT, UNITARY, BASIS.) IF A TWO-TIER BOARD SYSTEM IS ADOPTED, THE "POLICY BOARD WILL PLAY A MAJOR PART IN THE FORMULATION OF COMPANY POLICY AND THE TAKING OF MAJOR DECISIONS (BUT)...WILL NOT BECOME INVOLVED IN--OR RESPONSIBLE FOR--THE DAY-TO-DAY RUNNING OF THE COMPANY. THIS WILL BE THE TASK OF THE PROFESSIONAL MANAGEMENT AND THIS WILL BE THE FUNCTION ATTRIBUTED TO THE MANAGEMENT BOARD IN THE LAW." THE GOVERNMENT, IN PROPOSING THAT "A REASONABLE FIRST STEP WOULD BE TO GIVE EMPLOYEES THE RIGHT TO APPOINT UP TO ONE THIRD OF THE MEMBERS OF THE POLICY BOARD...DOES NOT EXCLUDE PARITY AS AN ULTIMATE OUTCOME."

5. PRIME MINISTER CALLAGHAN, AFTER DESCRIBING THE CONTENTS OF THE WHITE PAPER, SAID "WE ARE PREPARED TO LOOK AT ANY SUGGESTIONS FOR AMENDMENTS. BUT I DO

NOT BELIEVE THAT DISCUSSION SHOULD CONTINUE INDEFIN-
ITELY. WE SHOULD GET ON WITH IT. AS FAR AS I AM

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OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 DODE-00 PM-05 H-01 L-03 NSC-05
PA-01 STR-07 /133 W
-----128494 261922Z /43

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CONCERNED THE PERIOD OF DISCUSSION COULD LAST FOR SOME
MONTHS. I SHOULD LIKE TO SEE LEGISLATION IN THE NEXT
SESSION OF PARLIAMENT IF IT IS POSSIBLE TO DRAFT IT."

6. PARLIAMENTARY RESPONSE TO THE WHITE PAPER WAS
MUTED; EVEN MRS. THATCHER, THE CONSERVATIVE LEADER,
ASKED QUESTIONS ABOUT DETAILS, RATHER THAN BARKING BACK
IN OUTRIGHT OPPOSITION. (HOWEVER, THE CONSERVATIVE
SHADOW SPOKESMAN ON EMPLOYMENT, JIM PRIOR, MADE CLEAR,
. IN AN ARTICLE IN THE TIMES, THE CONTINUING TORY
OPPOSITION TO ANY STATUTORY REQUIREMENT FOR WORKER
PARTICIPATION IN MANAGEMENT.) LEN MURRAY OF THE TUC,
AND SOME OTHER LABOR LEADERS, MILDLY APPLAUDED THE
NEW PROPOSALS.

7. THE SHARPEST RESPONSE CAME FROM THE CONFEDERATION
OF BRITISH INDUSTRY AND THE INSTITUTE OF DIRECTORS,
WHICH SPOKE OF THE WHITE PAPER IN THE SAME TERMS OF
VIOLENT OPPOSITION THEY APPLIED TO THE BULLOCK REPORT.
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8. PERHAPS THE RESPONSE OF MANAGEMENT QROUOS IS A NEGOTIATING TACTIC. IT DOES, HOWEVER, SEEM TO REPRESENT OVERKILL, BOTH IN TERMS OF SUBSTANCE AND OF TACTICS.

9. ON SUBSTANCE, THERE IS A KEY DIFFERENCE BETWEEN THE WHITE PAPER AND THE BULLOCK REPORT. THE BULLOCK REPORT WOULD HAVE PRODUCED PARITY IN REPRESENTATION ON THE BOARDS OF LARGE FIRMS BETWEEN LABOR UNION AND SHAREHOLDER REPRESENTATIVES. ONE CAN UNDERSTAND THE FEARS OF BUSINESSMEN THAT, WITH THE FINAL WORD ON THE SELECTION OF THE "Y" OR INDEPENDENT THIRD ELEMENT ON THE BOARD RESTING WITH A GOVERNMENT-CREATED COMMISSION, THE EFFECT WOULD POTENTIALLY BE LOSS OF CONTROL. THE LIMITATION OF WORKER REPRESENTATIVES TO ONE-THIRD SHOULD MEET THE GUT OBJECTIONS OF MANY--INCLUDING AMERICAN--FIRMS. SECONDLY, THE RECOMMENDATION OF A TWO-TIER SYSTEM IS AT LEAST A BIG STEP TOWARD MEETING PRACTICAL OBJECTIONS TO INVOLVING WORKER REPRESENTATIVES IN THE DAY-TO-DAY MANAGEMENT OF FIRMS.

10. TACTICALLY, THERE MAY BE LITTLE IMMEDIATELY TO FEAR. THE GOVERNMENT HAS OBVIOUSLY TRIED HARD TO PRESENT AS OPEN AND GENERAL A SET OF RECOMMENDATIONS AS IT COULD WITHOUT ABANDONING THE WHOLE EXERCISE. THE OOMOH BEHIND THE WORKER DIRECTOR THRUST, SUCH AS IT WAS, IS NO LONGER THERE. JACK JONES, WHO LED THE TUC INTO THIS POLICY, HAS RETIRED, AND MANY REMAINING UNION LEADERS ARE EITHER OPOSED TO WORKER PARTICIPATION (PREFERRING A CONFLICT MODEL OF MANAGEMENT-LABOR RELATIONS), OR ARE UNINTERESTED IN PROPOSALS THAT FALL SO FAR SHORT OF PARITY OR WORKER CONTROL. EVEN IF

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THE GOVERNMENT DOES DRAFT AND THEN SECURE THE ENACTMENT OF LEGISLATION, IT WILL, AS THE PRESS HAS NOTED, BE 1984 BEFORE THE RIGHT TO WORKER DIRECTORS WOULD BE CREATED. FINALLY, IF THE CONSERVATIVES WIN THE NEXT ELECTION, THE WHOLE IDEA IS DEAD.

11. A LOT OF TIME AND DEBATE HAS BEEN EXPENDED ON THIS ISSUE. WHILE IT HAS USEFULLY AROUSED INTEREST IN SUBJECTS LIKE MANAGEMENT-WORKER COMMUNICATION, ONE CAN QUESTION WHETHER IT WAS REALLY WELL SPENT. NO ONE

CAN DENY THE NEED FOR BETTER INDUSTRIAL RELATIONS IN
THE UK. WHETHER FORMALIZED WORKER PARTICIPATION IN
MANAGEMENT WOULD HAVE THIS RESULT IS OPEN TO QUESTION;
AND THE IMPACT ON INDUSTRIAL EFFICIENCY--AN ONLY PARTLY
RELATED OBJECTIVE--IS EVEN MORE QUESTIONABLE. THE
AMERICAN SITUATION, WHERE THERE IS PLENTY OF CONFRONTA-
TION, BUT MANAGERS AND WORKERS BOTH PERFORM BETTER THAN
IN THE UK, MAY BE APPROPRIATE. ON THE OTHER HAND, AS THIS
WEEK'S ECONOMIST NOTES IN ITS ARTICLE ON THE WHITE
PAPER, "DOES ANYONE THINK BRITAIN'S INDUSTRIES AND
BOARDROOMS PERFORM SO BRILLIANTLY THAT SUCH A CHANGE
THROUGH COMPROMISE MUST BE FOR THE WORSE?"

STREATOR

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, INDUSTRIAL OUTLOOK REPORT, STUDIES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON08420
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780223-0640
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780515/aaaaamaz.tel
Line Count: 238
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 10e1b695-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 LONDON 7994
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2552594
Secure: OPEN
Status: NATIVE
Subject: BRITISH GOVERNMENT WHITE PAPER ON INDUSTRIAL DEMOCRACY
TAGS: EIND, ELAB, UK
To: STATE USEEC
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/10e1b695-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014